

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
NORTHERN STATES POWER COMPANY,)	
a Wisconsin corporation, for recognition of revised)	Case No. U-18446
depreciation rates.)	
_____)	

At the November 21, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER

On August 23, 2017, Northern States Power Company (NSP-W), a Wisconsin corporation, filed an application for recognition of revised depreciation rates approved by the Public Service Commission of Wisconsin (PSCW).

On September 6, 2017, the Commission's Executive Secretary issued the notice of opportunity to comment. Following publication of the notice, comments were filed by the Association of Businesses Advocating Tariff Equity in which it asserts that it may challenge the depreciation expense in the NSP-W's next electric rate case and reserves the right to do so.

As of December 2016, only 2.3% of NSP-W's electric and 3.3% of its natural gas operations are in the Michigan retail jurisdiction. Therefore, NSP-W proposes to use the same depreciation rates established by the PSCW for its Michigan retail jurisdiction and requests that the Commission recognize these new depreciation rates for accounting purposes. Historically, the

Commission has followed this approach, most recently in connection with Wisconsin Public Service Corporation in Case No. U-16269, Wisconsin Electric Power Company in Case No. U-16231, and NSP-W in Case Nos. U-17575 and U-18185.

The PSCW issued an order on July 10, 2017, in Docket No. 4220-DU-110, attached as Attachment A, certifying that NSP-W's proposed depreciation rates are reasonable and proper for computing the annual depreciation expense for each class of its utility plants, including electric and gas property. All costs, including the depreciation expense resulting from these rates will be subject to review in the company's next general rate cases.

The Commission finds that the depreciation rates for accounting purposes set forth in Attachment A are reasonable and in the public interest, and should be approved. Approval of the PSCW-approved rates will not result in an increase in any rates or charges to customers in this case, and therefore, *ex parte* approval of the application is appropriate.

THEREFORE, IT IS ORDERED that the depreciation rates as set forth in the attached Attachment A are approved.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General – Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of November 21, 2017.

Kavita Kale, Executive Secretary

SERVICE DATE
Jul 10, 2017

PSC REF#: 327560

Public Service Commission of Wisconsin
RECEIVED: 07/10/2017 3:35:02 PM

PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Northern States Power Company-Wisconsin for Approval
of Adjustments to its Proposed Remaining Lives Depreciation for Test
Year 2018

4220-DU-110

FINAL DECISION

This is the Final Decision in the application of Northern States Power Company-Wisconsin (NSPW), a Wisconsin corporation, for approval of its proposed remaining lives depreciation for electric production and gas storage accounts. In its application, NSPW proposed that the depreciation rates for electric production and gas storage facilities be adjusted to reflect the "passage of time" along with other miscellaneous adjustments. The new rates are effective January 1, 2018. A Notice of Investigation was served on May 25, 2017.

Findings of Fact

1. The depreciation revisions as proposed by NSPW in its filing of April 28, 2017, reflect remaining useful life, updated retirement schedules, and salvage values, and as such are reasonable.
- 2. The depreciation adjustments requested by NSPW related to gas storage facilities will decrease depreciation expense by an estimated \$491,365 for the 2018 test year, on a total company level.
3. This is a Type III action under Wis. Admin. Code § PSC 4.10(3). No unusual circumstances suggesting the likelihood of significant environmental effects on the human environment have come to the Commission's attention. Neither an environmental impact statement under Wis. Stat. § 1.11 nor an environmental assessment is required.

Conclusions of Law

1. The Commission has jurisdiction under Wis. Stat. § 196.09 to certify its determination of depreciation assumptions in accordance with the Findings of Fact.
2. The Commission has jurisdiction under Wis. Stat. §§ 196.02 and 196.06 to prescribe the manner and form of recording transactions in accordance with the Findings of Fact.
3. The Commission has authority under Wis. Stat. § 15.02(4) to delegate to the Administrator of the Division of Energy Regulation those functions vested by law as enumerated above. It has delegated authority to the administrator of the Division of Energy Regulation to issue this Final Decision.

Opinion

On April 28, 2017, NSPW filed an application with the Commission for approval of its proposed remaining lives depreciation for the 2018 test year. NSPW filed its 2018 depreciation study that addresses remaining life depreciation for various electric production and gas storage facilities that reflects a “passage of time” adjustment as well as other adjustments for all relevant facilities.

The proposed changes to remaining lives are based on recent upgrades and additions to gas plant. For the Eau Claire LNG plant, NSPW plans to extend the use of the plant resulting in remaining life of 17 years as of January 1, 2018. This extension allows the facility to operate well into the future for operational needs. The Eau Claire facility serves as a needed peaking function for the gas utility by ensuring NSPW can meet peak demands when market gas prices are high. The estimated impact to gas depreciation expense for this life extension in the 2018 test year is a decrease of \$491,365.

Commission staff reviewed the proposed changes in depreciation rates for consistency and reasonableness. As part of this review, Commission staff reviewed the calculations, as well as the

most significant changes, by comparing the proposed rates to similar depreciation rates used by other utilities. The proposed estimated depreciation expense of \$491,365 is the difference between present and proposed remaining lives in years as of December 31, 2018. The present and proposed depreciation expense was calculated using the unrecovered cost of \$5.8 million divided by 7 years, and 17 years for present and proposed remaining lives. Based on Commission staff's review, the Commission finds NSPW's proposed adjustments are reasonable.

Attachment A lists certified depreciation rates and remaining life calculations.

Order

1. The depreciation assumptions regarding remaining lives and passage of time shown in Attachment A, attached and made a part of this Final Decision, are certified to NSPW as reasonable and proper for computing depreciation lives. Subject to Order Condition 2, these assumptions shall be effective as of January 1, 2018.

2. In accordance with Wis. Stat. § 196.09(3), after the Commission has certified to NSPW its findings as to the assumptions required for depreciation, NSPW shall have 30 days within which to make an application to the Commission for a hearing and order. If NSPW does not make application to the Commission for a hearing and order within the time set, this Final Decision shall take effect.

Dated at Madison, Wisconsin, July 10, 2017.

For the Commission:



Jeffrey J. Ripp
Division of Energy Regulation

JJR:BAG:CNS;jlt:DL: 01536903

Attachments

See attached Notice of Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
610 North Whitney Way
P.O. Box 7854
Madison, Wisconsin 53707-7854

**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.¹ The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

¹ See *Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

Northern States Power Company-Wisconsin
Schedule of Certified Depreciation Lives and Rates

Docket 4220-DU-110
Page 1 of 7

Electric Utility
Steam Production

Account	Description	Net Salvage (%)	Remaining Life 01/01/18
Bay Front			
E311	Structures and Improvements	-10	17.0 yrs.
E312	Boiler Plant Equipment	-2	17.0
E314	Turbogenerators	-10	17.0
E315	Accessory Electric Equipment	-10	17.0
E316	Miscellaneous Power Plant Equipment	5	17.0
French Island			
E311	Structures and Improvements	-10	6.0 yrs.
E312	Boiler Plant Equipment	-2	6.0
E314	Turbogenerators	-10	6.0
E315	Accessory Electric Equipment	-10	6.0
E316	Miscellaneous Power Plant Equipment	5	6.0
French Island RDF			
E311	Structures and Improvements	-10	6.0 yrs.
E312	Boiler Plant Equipment	-2	6.0
E314	Turbogenerators	-10	6.0
E315	Accessory Electric Equipment	-10	6.0
E316	Miscellaneous Power Plant Equipment	5	6.0

Northern States Power Company-Wisconsin
Schedule of Certified Depreciation Lives and Rates

Docket 4220-DU-110

Page 1 of 7

Electric Utility
Hydro Production

Account	Description	Net Salvage (%)	Remaining Life 01/01/18
Apple River			
E331	Structures and Improvements	-10	7.0 yrs.
E332	Boiler Plant Equipment	-15	7.0
E333	Turbogenerators	-5	7.0
E334	Accessory Electric Equipment	-5	7.0
E335	Miscellaneous Power Plant Equipment	5	7.0
Big Falls			
E331	Structures and Improvements	-10	19.1 yrs.
E332	Boiler Plant Equipment	-15	19.1
E333	Turbogenerators	-5	19.1
E334	Accessory Electric Equipment	-5	19.1
E335	Miscellaneous Power Plant Equipment	5	19.1
Cedar Falls			
E302	Franchises and Consent	0	17.3 yrs.
E331	Structures and Improvements	-10	17.3
E332	Boiler Plant Equipment	-15	17.3
E333	Turbogenerators	-5	17.3
E334	Accessory Electric Equipment	-5	17.3
E335	Miscellaneous Power Plant Equipment	5	17.3
Chippewa Falls			
E331	Structures and Improvements	-10	16.0 yrs.
E332	Boiler Plant Equipment	-15	16.0
E333	Turbogenerators	-5	16.0
E334	Accessory Electric Equipment	-5	16.0
E335	Miscellaneous Power Plant Equipment	5	16.0
Cornell			
E331	Structures and Improvements	-10	5.9 yrs.
E332	Boiler Plant Equipment	-15	5.9
E333	Turbogenerators	-5	5.9
E334	Accessory Electric Equipment	-5	5.9
E335	Miscellaneous Power Plant Equipment	5	5.9

Northern States Power Company-Wisconsin
Schedule of Certified Depreciation Lives and Rates

Docket 4220-DU-110
Page 1 of 7

Electric Utility
Hydro Production

Account	Description	Net Salvage (%)	Remaining Life 01/01/18
Eau Claire Dells			
E302	Franchises and Consent	0	15.8 yrs.
E331	Structures and Improvements	-10	15.8
E332	Reservoirs, Dams, and Waterways	-15	15.8
E333	Waterwheels, Turbines, and Generators	-5	15.8
E334	Accessory Electric Equipment	-5	15.8
E335	Miscellaneous Power Plant Equipment	5	15.8
Gile Flowage			
E331	Structures and Improvements	-10	7.0 yrs.
E332	Reservoirs, Dams, and Waterways	-15	7.0
E334	Accessory Electric Equipment	-5	7.0
Hayward			
E331	Structures and Improvements	-10	8.0 yrs.
E332	Reservoirs, Dams, and Waterways	-15	8.0
E333	Waterwheels, Turbines, and Generators	-5	8.0
E334	Accessory Electric Equipment	-5	8.0
E335	Miscellaneous Power Plant Equipment	5	8.0
Holcombe			
E302	Franchises and Consent	0	15.8 yrs.
E331	Structures and Improvements	-10	15.8
E332	Reservoirs, Dams, and Waterways	-15	15.8
E333	Waterwheels, Turbines, and Generators	-5	15.8
E334	Accessory Electric Equipment	-5	15.8
E335	Miscellaneous Power Plant Equipment	5	15.8
Jim Falls			
E331	Structures and Improvements	-10	15.8 yrs.
E332	Reservoirs, Dams, and Waterways	-15	15.8
E333	Waterwheels, Turbines, and Generators	-5	15.8
E334	Accessory Electric Equipment	-5	15.8
E335	Miscellaneous Power Plant Equipment	5	15.8
Ladysmith			
E331	Structures and Improvements	-10	18.0 yrs.
E332	Reservoirs, Dams, and Waterways	-15	18.0
E333	Waterwheels, Turbines, and Generators	-5	18.0
E334	Accessory Electric Equipment	-5	18.0
E335	Miscellaneous Power Plant Equipment	5	18.0

Northern States Power Company-Wisconsin
Schedule of Certified Depreciation Lives and Rates

Docket 4220-DU-110

Page 1 of 7

Electric Utility
Hydro Production

Account	Description	Net Salvage (%)	Remaining Life 01/01/18
Menomonie			
E302	Franchises and Consent	0	17.3 yrs.
E331	Structures and Improvements	-10	17.3
E332	Reservoirs, Dams, and Waterways	-15	17.3
E333	Waterwheels, Turbines, and Generators	-5	17.3
E334	Accessory Electric Equipment	-5	17.3
E335	Miscellaneous Power Plant Equipment	5	17.3
Riverdale			
E331	Structures and Improvements	-10	14.0 yrs.
E332	Reservoirs, Dams, and Waterways	-15	14.0
E333	Waterwheels, Turbines, and Generators	-5	14.0
E334	Accessory Electric Equipment	-5	14.0
E335	Miscellaneous Power Plant Equipment	5	14.0
St. Croix Falls			
E331	Structures and Improvements	-10	10.0 yrs.
E332	Reservoirs, Dams, and Waterways	-15	10.0
E333	Waterwheels, Turbines, and Generators	-5	10.0
E334	Accessory Electric Equipment	-5	10.0
E335	Miscellaneous Power Plant Equipment	5	10.0
Saxon Falls			
E331	Structures and Improvements	-10	7.0 yrs.
E332	Reservoirs, Dams, and Waterways	-15	7.0
E333	Waterwheels, Turbines, and Generators	-5	7.0
E334	Accessory Electric Equipment	-5	7.0
E335	Miscellaneous Power Plant Equipment	5	7.0
Superior Falls			
E331	Structures and Improvements	-10	7.0 yrs.
E332	Reservoirs, Dams, and Waterways	-15	7.0
E333	Waterwheels, Turbines, and Generators	-5	7.0
E334	Accessory Electric Equipment	-5	7.0
E335	Miscellaneous Power Plant Equipment	5	7.0

Northern States Power Company-Wisconsin
Schedule of Certified Depreciation Lives and Rates

Docket 4220-DU-110
Page 1 of 7

Electric Utility
Hydro Production

Account	Description	Net Salvage (%)	Remaining Life 01/01/18
Thornapple			
E331	Structures and Improvements	-10	19.1 yrs.
E332	Reservoirs, Dams, and Waterways	-15	19.1
E333	Waterwheels, Turbines, and Generators	-5	19.1
E334	Accessory Electric Equipment	-5	19.1
E335	Miscellaneous Power Plant Equipment	5	19.1
Trego			
E331	Structures and Improvements	-10	7.9 yrs.
E332	Reservoirs, Dams, and Waterways	-15	7.9
E333	Waterwheels, Turbines, and Generators	-5	7.9
E334	Accessory Electric Equipment	-5	7.9
E335	Miscellaneous Power Plant Equipment	5	7.9
White River			
E331	Structures and Improvements	-10	7.6 yrs.
E332	Reservoirs, Dams, and Waterways	-15	7.6
E333	Waterwheels, Turbines, and Generators	-5	7.6
E334	Accessory Electric Equipment	-5	7.6
E335	Miscellaneous Power Plant Equipment	5	7.6
Wissota			
E302	Franchises and Consent	0	15.8 yrs.
E331	Structures and Improvements	-10	15.8
E332	Reservoirs, Dams, and Waterways	-15	15.8
E333	Waterwheels, Turbines, and Generators	-5	15.8
E334	Accessory Electric Equipment	-5	15.8
E335	Miscellaneous Power Plant Equipment	5	15.8

Northern States Power Company-Wisconsin
Schedule of Certified Depreciation Lives and Rates

Docket 4220-DU-110
Page 1 of 7

Electric Utility
Other Production

Account	Description	Net Salvage (%)	Remaining Life 01/01/18
French Island Combustion Turbine			
E341	Structures and Improvements	-5	5.0 yrs.
E342	Fuel Holders	0	5.0
E343	Prime Movers	0	5.0
E344	Generators	0	5.0
E345	Accessory Electric Equipment	0	5.0
E346	Miscellaneous Power Plant Equipment	0	5.0
Prairie Island Air Monitor			
E346	Miscellaneous Power Plant Equipment	0	16.3 yrs.
Wheaton Gas Turbine			
E341	Structures and Improvements	-5	10.0 yrs.
E342	Fuel Holders	0	10.0
E343	Prime Movers	0	10.0
E344	Generators	0	10.0
E345	Accessory Electric Equipment	0	10.0
E346	Miscellaneous Power Plant Equipment	0	10.0

Northern States Power Company-Wisconsin
Schedule of Certified Depreciation Lives and Rates

Docket 4220-DU-110
Page 1 of 7

Gas Utility
Gas Storage

Account	Description	Net Salvage (%)	Remaining Life 01/01/18
Eau Claire LNG			
G361	Structures and Improvements	0	17.0 yrs.
G362	Gas Holders	-10	17.0
G363	Purification Equipment	0	17.0
G363.1	Liquefaction Equipment	0	17.0
G363.2	Vaporizing Equipment	0	17.0
G363.3	Compressor Equipment	0	17.0
G363.4	Measuring and Regulating Equipment	0	17.0
G363.5	Other Equipment	0	17.0

DL: 01549650